PORTFOLIO INDEX

The Missouri Department of Higher Education's *Smart About Spending* portfolio was designed to be used in conjunction with materials from your personal finance course. However, you're also encouraged to use this portfolio to store helpful budget and credit information found on the following websites:

hsfpp.nefe.org
National Endowment for Financial Education

practicalmoneyskills.com
Practical Money Skills

showmethefuture.org
Show Me the Future

Tab 1: Income

Missouri Personal Finance Competencies covered in this section include:

- Components and sources of income
- Effect of career choice, education, skills, and economic conditions on income and goal attainment
- Relationship of taxes, employee benefits, and other factors to disposable income

Tab 2: Money Management

Missouri Personal Finance Competencies covered in this section include:

- Effects of limited personal financial resources on the choices people make
- Opportunity costs of financial decisions
- Consequences of personal financial decisions
- Decision-making processes for personal finance choices
- Effect of inflation on spending and saving decisions
- Insurance (e.g., auto, home, etc.) and other risk-management strategies that protect against financial loss
- Financial plan (budget) for earning, spending, saving, and investing
- Using the services available from financial institutions
- Role of the Federal Reserve in controlling the money supply

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Tab 3: Spending & Credit

Missouri Personal Finance Competencies covered in this section include:

- Benefits and costs of alternatives in spending decisions
- Evaluating information about products and services
- Advantages and disadvantages of different payment methods
- Benefits and costs of consumer credit
- Sources of consumer credit (e.g., credit cards, auto loans, student loans, etc.)
- Terms and conditions of credit cards and consumer loans
- Factors that affect creditworthiness
- Purpose and components of credit records
- Consumer protection and information (e.g., identity theft, phishing, scams)
- Ways to avoid or correct credit problems
- Rights and responsibilities of buyers and sellers under consumer protection laws

Tab 4: Saving & Investing

Missouri Personal Finance Competencies covered in this section include:

- Consumer choices for saving and investing
- Relationship between saving and investing
- Reasons for saving and investing (e.g., time value of money)
- Risk, return, liquidity, manageability, and tax aspects of investment alternatives
- Buying and selling investments
- Factors affecting the rate of return on investments (e.g., Rule of 72, simple versus compound interest, etc.)
- Sources of investment information
- Agencies that regulate financial markets to protect investors
- Selecting professional advisors and their services

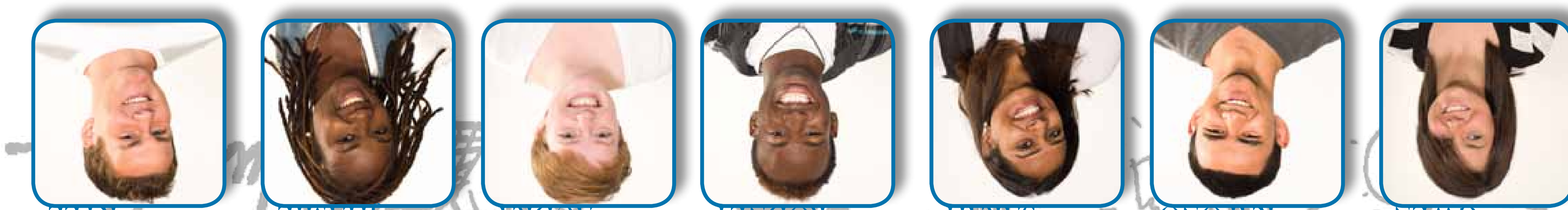
Journey to College

Developed and maintained by Missouri students, *Journey to College* provides an avenue to obtain a variety of information geared toward future college students. To ensure that you're prepared for all that college has to offer, click "Like" at **www.facebook.com/journeytocollege**. If you prefer to tweet, the MDHE recently created a Twitter account to assist students just like you. Receive short updates regarding various federal and state deadlines, scholarship opportunities and money management tips by following *Journey to College* at **www.twitter.com/Journey2College**.

"Spend your money wisely, and deposit as much money as possible in a high-interest savings account."

—Gwen Prenger, *University of Missouri*

Gwen Prenger opted to get Smart About Spending before heading off to college. A freshman at the University of Missouri, Gwen realized the importance of leading a financially fit lifestyle in high school. As a former intern at the Missouri Department of Higher Education, Gwen posted several blogs about planning, preparing and paying for college on the department's *Journey to College* Facebook page. Now that she's got a better grip on monitoring her spending and savings plan, Gwen can devote more time to school work and increasing the number of mission trips she participates in each year. For those future college students who would like to develop sooner-than-later money management habits, Gwen has one piece of advice to offer. "Spend your money wisely, and deposit as much money as possible in a high-interest savings account."



GWEN KAPONO SARAH RODNEY AUDRA JHAMIE KYLE

SMART ABOUT SPENDING

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The *Smart About Spending* portfolio is just one of many resources designed by the Missouri Department of Higher Education to help high school students make better decisions. Let's face it, managing a budget might not seem like a tough assignment now, but you should start thinking about your future plans and how they may impact your buying power. If you're interested in attending college, tuition and textbook expenses can take a huge bite out of your bank account. Looking to keep some of that cash in your pockets? The MDHE can help. Thanks to a variety of publications and online tools, the MDHE has all the bases covered when it comes to preparing Missouri students for college. Check out the following resources for important tips and recommendations.

MDHE Publications

Never Too Early: College Prep Starts Now- A planning guide equipped with strategies to help prepare students for a successful college experience, from kindergarten to high school.

Online MDHE- An overview of the MDHE website highlighting the features most useful to students and families planning and paying for college.

The Source- A comprehensive guide designed to serve as the premier go-to resource for students in search of federal and state grants, scholarships, loans, and assistance with filling out the Free Application for Federal Student Aid (FAFSA).

To request MDHE publications, please visit the Publication Order Form at **www.dhe.mo.gov/publications.html**.

MDHE Online Tools

Journey To College- Developed and maintained by Missouri students, *Journey to College* provides an avenue to obtain a variety of information geared toward future college students. To ensure that you're prepared for all that college has to offer, click "Like" at **facebook.com/journeytocollege**. If you prefer to tweet, the MDHE recently created a Twitter account to assist students just like you. Receive short updates regarding various federal and state deadlines, scholarship opportunities and money management tips by following *Journey to College* at **www.twitter.com/Journey2College**.

Monthly Student Reminder- A monthly email providing helpful hints about planning and preparing for college. To subscribe to the Monthly Student Reminder service, visit **www.dhe.mo.gov/ppc/reminders2.php**.

For additional information on the resources listed above, contact the MDHE or talk to your guidance counselor.

When it comes to taking advantage of financial aid opportunities, first-time college students often need help getting their ducks in a row. If you're a high school senior planning to attend a postsecondary institution next year, free help is available at FAFSA Frenzy. Financial aid professionals will be on hand at locations throughout the state in February to help students and parents fill out the Free Application for Federal Student Aid. To see a complete list of FAFSA Frenzy locations in your area, visit the MDHE's website at **www.dhe.mo.gov/ppc/fafsa_completion.php**. FAFSA Frenzy is a program of College Goal Sunday.

Missouri Personal Finance Competencies covered in this section include:

- **Components and sources of income**
- **Effect of career choice, education, skills, and economic conditions on income and goal attainment**
- **Relationship of taxes, employee benefits, and other factors to disposable income**

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INCOME • Components and sources of income

Know how much money you have coming in. With daily changes in the economy, it's never too soon to start paying close attention to how you manage your finances. If you're currently earning some cash thanks to a part-time job, develop a habit of spending only a small percentage of your paycheck. Not sure how much your next check will be? Develop a log sheet to keep track of your hours. This simple task will provide an excellent tool to estimate your weekly or monthly paychecks.

Use your log sheet to record income from other outside sources, such as Social Security benefits and allowances. If you receive money from your parents or other family members for doing something good, like landing a high score on the ACT or SAT, jot down this amount on your log sheet for a more accurate account of available funds.

Know how much money you have going out. To estimate your expenses, review your bank statements and receipts to get a better idea of where your money is going. Watching the numbers add up in black and white may shock you, with small items like music downloads, lattés and text messages impacting your account balance more than you originally predicted.

Don't forget to build in a way to grow your savings. Cash might be tight, but saving—even a little at a time—can really add up when interest is compounded over the years.

SMART ABOUT SPENDING

With daily changes in the economy, it's never too soon to start paying close attention to how you manage your finances.

INCOME • Effect of career choice, education, skills, and economic conditions on income and goal attainment

Determine your future salary. Now is the time to start focusing on your plans after graduation. Whether you choose to find a job in your hometown or pack up and head off to college, an in-depth assessment of your personal interests can be a very important factor when determining which occupation will best suit you in the long run. Your financial plan should include a realistic idea of the salary you will be earning based on your occupation of choice.

As you begin making long range goals for your future and your finances, it might be helpful to take a look at some Missouri averages. Refer to the enclosed chart to see salary information for the top 30 occupations within our state.

Some fields pay more than others, of course, and wages vary from employer to employer and across different geographic regions, as does the cost of living. Having a clear idea of your earning potential can help lead you toward sound financial decisions.

In looking over the top 30 fields employing Missouri workers, you may not see your future career listed. Not to worry. This data looks at the employment pool as a whole and includes both careers that require a college education and those that don't. With so many career options available, it could be that your chosen career just didn't make the top 30 in terms of raw numbers.

For a glimpse at the paychecks associated with a greater array of careers, check out Career Clusters at **www.MissouriConnections.org**.

Missouri Connections allows you to take career systems assessments, build a portfolio, and create your career and course plan. After clicking on Career Clusters, you can choose an area of interest to you and find out the path you need to take to land a job in this area, the level of education required, and the earning potential.

Remember, it's always good to plan ahead. Set reasonable expectations for your future income so that you can make practical financial choices that you'll be prepared to live with in the years to come.

SMART ABOUT SPENDING

Having a clear idea of your earning potential can help lead you toward sound financial decisions.

INCOME • Top 30 Employing Occupations in Missouri

The information below is listed according to the number employed in each occupation during calendar year 2010. The full report is available at **www.missourieconomy.org/OesWage/Default.aspx**.

Occupation	Number Employed	Annual Wage (mean)
Production Occupations	183,440	$32,710
Transportation and Material Moving Occupations	177,380	$31,400
Healthcare Practitioners and Technical Occupations	173,950	$61,850
Business and Financial Operations Occupations	118,890	$59,620
Management Occupations	108,000	$93,710
Installation, Maintenance and Repair Occupations	102,730	$40,540
Construction and Extraction Occupations	99,780	$47,280
Building/Grounds Cleaning and Maintenance Occupations	84,340	$23,270
Healthcare Support Occupations	81,470	$24,320
Retail Salespersons	77,740	$24,840
Combined Food Preparation and Serving Workers	77,270	$17,590
Cashiers	73,620	$19,080
Personal Care and Service Occupations	71,720	$22,070
Computer and Mathematical Occupations	70,530	$69,300
Registered Nurses	66,810	$59,140
Office Clerks/General	65,520	$28,580
Protective Service Occupations	56,740	$35,630
Waiters and Waitresses	49,230	$19,320
Customer Service Representatives	44,860	$30,670
Janitors and Cleaners, Except Maids and Housekeeping	42,730	$22,590
Nursing Aides, Orderlies and Attendants	40,220	$21,890
Truck Drivers, Heavy and Tractor-Trailer	39,540	$38,450
General and Operations Managers	38,720	$92,270
Community and Social Services Occupations	37,160	$38,080
Architecture and Engineering Occupations	36,420	$68,280
Arts, Design, Entertainment, Sports and Media Occupations	35,820	$43,900
Laborers and Freight, Stock and Material Movers and Hand	35,550	$25,490
Stock Clerks and Order Fillers	33,680	$22,910
Bookkeeping, Accounting and Auditing Clerks	32,800	$32,580
Secretaries, Except Legal, Medical and Executive	31,740	$28,350
TOTALS	**2,188,400**	**$39,190**

INCOME • Relationship of taxes, employee benefits, and other factors to disposable income

As U.S. citizens, we are required by the federal government to pay taxes on our taxable income, and as Missouri citizens, we are also required to pay state taxes. The amounts may vary from year to year and are determined by subtracting allowable deductions from your gross income. Taxable income levels are adjusted each year to reduce the effects of inflation.

Social Security is one benefit that comes from paying the compulsory payroll tax, a required amount taken from an employee's income as prepayment of an individual's tax liability. This amount is then split between the employee and the employer. Social Security taxes withheld from wages are called Federal Insurance Contributions Act (FICA) taxes. During a calendar year, you can earn Social Security credits for a certain amount of work covered under Social Security benefits. These funds are used as a foundation of income for retirees.

Often benefits such as paid holidays, health insurance, and retirement plans are used as compensation for employment in addition to your wages or salary. Employer-provided health insurance is typically less expensive than an individually purchased plan because your employer usually pays a part of the premium. Some benefits are tax-sheltered, which means that you don't have to pay income taxes on the value of the benefits. This is an example of allowable deductions, which have the ability to boost your disposable income by thousands of dollars each year.

SMART ABOUT SPENDING

Often benefits such as paid holidays, health insurance, and retirement plans are used as compensation for employment in addition to your wages or salary.

Missouri Personal Finance Competencies covered in this section include:

- **Effects of limited personal financial resources on the choices people make**
- **Opportunity costs of financial decisions**
- **Consequences of personal financial decisions**
- **Decision-making processes for personal finance choices**
- **Effect of inflation on spending and saving decisions**
- **Insurance (e.g., auto, home, etc.) and other risk-management strategies that protect against financial loss**
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MONEY MANAGEMENT • Effects of limited personal financial resources on the choices people make; Opportunity cost of financial decisions; Consequences of personal financial decisions

There are consequences for all the choices we make. This is especially true for the choices we make concerning our finances. The economics term "opportunity cost" means that each time a resource is used, that same resource is no longer available for something else. For instance, if you have a summer job, you can choose to spend the money you make having fun all summer, or you can choose to spend a small amount and put the rest in a savings account, money market, or mutual fund. The opportunity cost of choosing to spend the money on a good time may result in not having enough money in your savings account to fall back on during your first semester of college. Therefore, each time you face an opportunity to spend money, consider what you may have to give up tomorrow or next week or next month if you no longer have that money available.

The opportunity cost of choosing to save most of your money may mean that you can't afford to take a road trip with friends, but you'll have a significant amount in your savings account to use as needed when funds from your family have run dry or if an unexpected emergency arises.

MONEY MANAGEMENT • Decision-making processes for personal finance choices; Financial plan (budget) for earning, spending, saving, and investing

Create a financial plan you can actually use! Sure, sticking to a budget isn't always easy. But it's the best way to put yourself in the driver's seat when it comes to making sure your money goes toward expenses that matter most to you.

Creating a budget that clearly identifies your "needs" and "wants" can be an easy task if you follow these simple steps:

1. Establish a budget that works for you. Think of your budget as a "spending plan," a way to be aware of how much money you have, where it needs to go, and how much is left over. Your budget should meet your "needs" first, and then the "wants" that you can afford.

If you're a little fuzzy on how to distinguish your needs from wants, take a piece of paper and make a list of the items you often purchase after receiving your paycheck. For each item listed, ask yourself, "Do I *need* this to live?" If the answer is "no," you should classify this item as a "want." Even though "want" purchases may seem appealing to your friends, they may not be so appealing to your bank account or wallet. With negative account fees as high as $40, you're likely to cause more harm to your bank account than good. Remember, the goal is for your expenses to be less than your total income. If your income doesn't cover your expenses, you'll need to adjust your budget (and your spending!) by deciding which expenses can be reduced.

2. Be realistic. Keep it simple. Give it time. Don't cut basic necessities or make your budget so tight that it becomes a chore instead of a useful tool. Hang in there and your budget will prove itself over the years.

Using Financial Calculators

Everyone's financial situation is unique, and for you, it may seem like too much information to keep track of. Breaking down the best options for your personal goals can be overwhelming.

Below is a list of easy-to-use calculators to assist you in your plan to better manage your money.

Budget calculator
http://mappingyourfuture.org/money/budgetcalculator.htm

Developing a spending and savings plan can help you live within your means and plan for the future. Use the budget calculator to take an objective look at your income and expenses, and create a plan that will best help you meet your financial goals.

Savings calculator
http://mappingyourfuture.org/money/savingscalculator.htm

Visualizing regular saving habits and the accumulation of interest will show you just how valuable saving can be. It's as simple as entering the amount of your initial deposit, the amount you plan to save each month, the anticipated interest rate, and the number of years your savings will be on deposit. The savings calculator will then show you how much your account will be worth in the future, including the amount of interest earned.

Student loan debt/salary wizard
http://www.mappingyourfuture.org/paying/debtwizard/

Understanding how much you can afford to borrow in student loans will help you make smart financial decisions you can live with after you graduate. Based on the recommendation that your student loan payment should be no more than 8 percent of your gross earnings, this interactive calculator will help you determine:
- How much you can afford to borrow in student loan funds based on your future expected earnings
- The salary you'll need in order to afford your student loan payments

Managing your accounts online
www.mint.com

Learning how to balance, or reconcile, your financial accounts on a monthly basis is one of the best money management habits you can practice. Mint.com brings all your financial accounts together online, automatically categorizes your transactions, lets you set budgets, helps you achieve financial goals, and lets you customize electronic alerts linked to your financial account.

Keeping your accounts balanced:
- Helps you keep track of your money
- Verifies the information you have tracked is accurate
- Catches any mistakes your bank may have made

MONEY MANAGEMENT • Effect of inflation on spending and saving decisions

Inflation is defined as the rise in the general level of prices of goods and services over a period of time. Inflation is typically measured by the annualized change in the Consumer Price Index (CPI), which includes the typical goods and services needed by households. Leave a little "growing" room in your budget to cover costs associated with inflation. Remember, the price of goods and services are subject to change due to the economy, so everything you buy today may cost more in the future. If your income does not increase at the same rate of inflation, you will find your standard of living declining even though you're making more. Be prepared for increases in inflation rates by putting a few extra dollars in your savings account each month.

MONEY MANAGEMENT • Insurance (e.g., auto, home, etc.) and other risk-management strategies that protect against financial loss

Life is full of unexpected incidents. Even though you make attempts to plan for the unexpected, some risky situations can't be avoided. In this case, purchasing an insurance plan allows you to share the financial burden in the event of damage or loss.

Persons who sell insurance are called insurance agents. They usually represent one or more companies and have the power to enter into, change, and cancel insurance policies on behalf of these companies. There are two types of insurance agents:

1. Independent - agents who act as third-party links between people selling and buying insurance
2. Exclusive - agents who represent only one insurance company selling a specific type of insurance

The form of insurance you're probably most familiar with is auto insurance. It's illegal to drive without it! That is, unless you're able to assume the financial responsibility for any accident you may cause. There are four different types of coverage:

1. Liability - when you're held responsible for damage to the other driver's car
2. Medical - when you and/or your passenger(s) are injured in an accident regardless of who is at fault
3. Protection Against Uninsured and Underinsured Drivers - when the other driver doesn't carry insurance or enough insurance
4. Physical Damage - when your car is damaged from a collision, theft or something else

It's important to shop carefully for auto insurance in order to keep your premiums as low as possible. Think about what kind of losses are likely to happen, and then determine the amount of coverage you will need. Be sure to take advantage of all discounts (e.g., student discounts) available to you.

Another form of insurance is homeowner's insurance. You will need this insurance whether you choose to own or rent your home. Three things to consider when purchasing homeowner's insurance are:

1. How much coverage will you need to replace your home?
2. How much coverage will you need to replace the contents of your home or personal property? (Both renters and homeowners need this coverage!)
3. How much coverage will you need for liability?

Both auto and homeowner's insurance policies typically include a deductible amount. The deductible is the amount you would pay from your savings BEFORE insurance will kick in. When buying insurance you generally have a choice of deductible options, and the lower the deductible amount, the higher your premium. If you select a higher deductible amount, make sure you keep at least that amount in your savings account at all times.

MONEY MANAGEMENT • Using the services available from financial institutions (Continued on Tab 2, Page 5)

You probably already have a checking account and some experience using a debit card. And while maintaining your account between homework and extracurricular activities can seem like quite the difficult task, there are a few pointers that can help keep you on track.

Don't automatically assume the account balance you see on your ATM receipt or your bank's website is up to date and accurate. Checks you have written, electronic payments, and other money transfers may not be processed instantly. For example, the debit card transaction you used to purchase a movie ticket on Saturday night might not show up on your account records until the following Monday or Tuesday. If you rely on the balance you see on Sunday, you may run into trouble.

Banks offer many products and services to help you stay on top of your finances. A few examples of these products and services are:

- ✓ **Checking accounts** - features may include no monthly fee, unlimited check writing, and no minimum balance
- ✓ **Savings accounts** - allows you to save and make money by accruing interest, and to withdraw money whenever you need it
- ✓ **Certificates of Deposit (CDs)** - interest rate is fixed and usually higher than a savings account, however, you can't make withdrawals. The money you use to purchase a CD must be left alone for the specified term.
- ✓ **Credit Cards** - applying for a credit card through your bank may provide you a lower interest rate
- ✓ **Investments** - get expert advice before you start investing in stocks, bonds, real estate, etc.
- ✓ **Private banking** - receive personal attention and help determining your needs and creating a plan to manage your finances
- ✓ **Online banking** - access your accounts or pay your bills at your convenience
- ✓ **Phone banking** - allows 24-hour telephone access to your accounts

SMART ABOUT SPENDING

The trick is to only choose the products and services that you need. Choose the one(s) right for YOU!

MONEY MANAGEMENT • Using the services available from financial institutions (Continued from Tab 2, Page 4)

Watch out for banking fees. Debit cards are widely accepted just about anywhere credit cards are honored. However, especially if you're new to debit card purchases, you should be aware of the small print associated with your card. Some accounts charge a fee for using a debit card as a debit transaction at particular stores or gas stations. If this is the case with your account, treating such a purchase as a credit transaction (when swiping your card) may help you avoid the fee.

Make sure your account information is safe. Sign the back of your debit card, memorize your unique personal identification number (PIN), and keep the card in a safe place where only you have access. Remember, grabbing the card (or your checkbook for that matter) and sticking it in your back pocket on the way out the door is asking for it to get lost and increases the possibility that your account will be compromised.

You should also beware of "phishing" tactics that seek to gain your personal information online. Be alert if you receive an email that looks like it's from your bank regarding your account. Never click on the link within the email message, and never provide details about your account. Your bank already knows this information and will not ask you to email sensitive data to them. If you question an email, contact your bank directly to verify its authenticity.

Balance your account regularly. Balancing your account every month when your bank statement arrives makes sound financial sense; it's an ideal way to help you keep track of your money and to verify that the information you have tracked is accurate.

A template for balancing your checking account can be found at **http://mappingyourfuture.org/money/checkbook.htm**.

SMART ABOUT SPENDING

You should also beware of "phishing" tactics that seek to gain your personal information online.

MONEY MANAGEMENT • Role of the Federal Reserve in controlling the money supply

Ever wonder whose job it is to manage the money supply for the entire country? As big of a job as it might seem, the Federal Reserve takes full responsibility for this task. In serving as the central banking system for the U.S., the Federal Reserve carries out the following duties:

1. Conducts the country's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates.
2. Supervises and regulates banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers.
3. Maintains the stability of the financial system.
4. Provides financial services to depository institutions, including banks, credit unions, savings and loans, the U.S. government and foreign official institutions.

For additional information on the Federal Reserve, visit **www.federalreserveeducation.org**.

The Money Museum, located at the Federal Reserve Bank of Kansas City, offers the opportunity to learn about the nation's financial system through numerous interactive exhibits. And best of all, it's FREE! You can take a peek into one of the region's largest cash vaults, which boasts 540,000 cubic feet of storage capacity stretching four stories high.

SMART ABOUT SPENDING

Ever wonder whose job it is to manage the money supply for the entire country?

Missouri Personal Finance Competencies covered in this section include:

- **Benefits and costs of alternatives in spending decisions**
- **Evaluating information about products and services**
- **Advantages and disadvantages of different payment methods**
- **Benefits and costs of consumer credit**
- **Sources of consumer credit (e.g., credit cards, auto loans, student loans, etc.)**
- **Terms and conditions of credit cards and consumer loans**
- **Factors that affect creditworthiness**
- **Purpose and components of credit records**
- **Consumer protection and information (e.g., identity theft, phishing, scams)**
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- **Rights and responsibilities of buyers and sellers under consumer protection laws**

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SPENDING & CREDIT • Benefits and costs of alternatives in spending decisions

Take a glance at the fine print on most credit card offers, and you'll see why it's important to have a firm grip on your finances. Credit cards aren't necessarily a bad thing, but if used improperly, credit cards can produce some pretty scary consequences. Learn the basics of establishing and maintaining credit. If you choose not to, high interest rates and minimum balance requirements may haunt you for the rest of your life.

Keep just one card. It will be easier to keep tabs on your spending.

Think about ways you can track your expenses. Waiting until your statement arrives each month to think about your balance can get you into trouble.

- Check your account online frequently
- Save receipts

Keep a record of the following in case your card is lost or stolen. Even better, keep a photo copy of the front and back of your card in a safe place at home.

- Account number
- Issuer's name
- Phone number

The bottom line: **Don't spend more than you can afford to pay on a monthly basis.** Wise use of your credit cards will help you establish a solid credit rating and avoid financial problems.

Get help when you need it. If you run into some serious trouble with managing your finances, seeking the assistance of a professional credit counselor may provide just the relief you need.

SMART ABOUT SPENDING

Consumer credit counseling calls and sessions are confidential. A credit counselor can help you deal with:

- Financial responsibilities
- Creditor calls
- Pending consumer legal action against you
- Purchasing a home
- Bankruptcy
- Repairing and rebuilding your credit
- Reading credit reports
- Getting back on the road to financial success

Credit and debt counseling agencies are independent, nonprofit, community service agencies whose services are available to all members of the community. They don't work for a collection agency, bank, creditor or the U.S. Marshals Office. Those that are members of national organizations, such as the Association of Independent Consumer Credit Counseling Agencies (AICCCA) or the National Foundation for Credit Counseling (NFCC) have strict standards to protect your interests. Many states license these agencies for your protection. To contact a credit and debt counseling agency, look in the yellow pages under "Credit and Debt Counseling" or contact the AICCCA (**www.aiccca.org**) or NFCC (**www.nfcc.org**). Be sure you choose a nonprofit organization.

SPENDING & CREDIT • Evaluating information about products and services; Advantages and disadvantages of different payment methods; Benefits and costs of consumer credit

Understand that any time you use a credit card, you're borrowing money. If you don't pay off your balance each month, interest will be added to the total amount you owe. (Do you really feel like paying interest on a pizza you ate three months ago?) Remember, there are two types of consumer credit:

1. **Installment Credit** - when you make equal monthly payments for a specific period of time. For example, when you buy a car, your payment may be $350 for 60 months (five years). At the end of this period, you have repaid the amount you borrowed, plus interest.

2. **Non-installment Credit** - this includes single payment loans and open-ended credit. For example, if you borrow $1,000 at 10 percent interest, you will make a single payment of $1,100 to repay the loan at the end of the year. Open-ended credit's also called revolving credit. Credit cards are an example of open-ended credit. Credit's extended to you in advance, but you don't have to reapply each time you decide to take out a loan. You can borrow funds whenever you like in any amount up to your credit limit. You can repay the loan by making a minimum payment or paying off the entire amount borrowed.

SMART ABOUT SPENDING

Think before getting your first credit card. Do you really need a credit card or would another option work just as well? Some other options to think about:

- **Debit card** - deducts charges directly from your checking account so you only spend money you have.
- **Secured credit card** - works similar to a credit card, except that a savings account is established specifically for the card to make payments if you don't.
- **Waiting** - just put off the decision for six months or a year and see how well you do without a credit card.

Understand that any time you use a credit card, you're borrowing money.

SPENDING & CREDIT • Terms and conditions of credit cards and consumer loans

Choose wisely. When selecting a credit card, you should shop around for the best deal. Compare different cards based on your own situation. Look for the following:

- A low annual percentage rate (APR). The lower the rate, the less interest you have to pay. Avoid teaser rates (low introductory rates that are raised after a year or less).
- The interest calculation method. This affects how much interest you pay, even when the APR is identical.
- Low or no annual fees. If the issuer charges an annual fee, ask them to waive it.
- All other charges (late payment fees, transaction fees, over-the-limit fees, etc). These can really add to the total cost of your charges. In fact, Americans pay about $15 billion each year in credit card penalty fees.
- Credit cards sometimes have very attractive introductory interest rates for a period of time, usually between six and 12 months.
- Likewise, you may consolidate your credit card debt onto one card and sometimes save significant money on interest charges. These balance transfer offers also have attractive introductory or promotional rates along with a transfer fee.
- Be sure to look at the Schumer Box (chart on back of offer) to become familiar with the APR after the initial period as well as any fees that you may be responsible for. Choose the card that is best for you.

Use **www.Bankrate.com** as a resource when comparing credit card fees.

SMART ABOUT SPENDING

The Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009

The CARD act was signed into law to strengthen consumer protection in the credit card market. A healthy flow of credit is needed in our economy, but often credit card contracts and practices are unfair and deceptively complicated, leading consumers to pay more than they reasonably expect. The critical elements of reform in this law are:

Bans unfair rate increases - rates can no longer be raised unfairly and interest rates on existing balances will not be hiked.

Prevents unfair fee traps - ends late fee traps; enforces fair interest calculation; requires opt-in to over-limit fees; restrains unfair sub-prime fees; and limits fees on gift and stored value cards.

Plain sight/plain language disclosures - credit card contract terms will be disclosed in language that consumers can see and understand so they can avoid unnecessary costs and manage their finances; and issuers are required to show the consequences to consumers of their credit decisions.

Accountability - ensures accountability from both credit card issuers and regulators who are responsible for preventing unfair practices and enforcing protections.

Protections for students and young people - new protections for college students and young adults, including a requirement that card issuers and universities disclose agreements with respect to the marketing or distribution of credit cards to students.

SPENDING & CREDIT
Factors that affect credit worthiness; Purpose and components of credit records; Sources of consumer credit

Consumer credit is non-business debt used by individuals for expenditures other than home mortgages. There are two types of consumer credit: installment credit and non-installment credit (defined on Tab 3, Page 2). Auto loans, credit cards and student loans are all sources of consumer credit.

Review your credit report. Keeping a watchful eye on your credit report can make all the difference in achieving your financial goals. Your credit report is a collection of information about you and your credit history, and it can have a major impact on your life. The three credit reporting agencies are Equifax, TransUnion and Experian.

What is a credit report? If you have ever applied for any of the following, you have a credit report:
- Credit card
- Student loan
- Auto loan

Understand who looks at your credit report. Your credit report may be looked at by:
- Potential creditors
- Potential and current employers
- Landlords
- Government licensing agencies
- Insurance underwriters

Know what information lenders are looking for.
- How promptly do you pay your bills?
- How many credit cards do you hold?
- What is the total amount of credit extended to you?
- How much do you owe on all of your accounts?

Be aware of the consequences of credit mistakes. Any negative information found on your credit report (late payments, bankruptcies, too much debt) can have a serious impact on your ability to:
- Get credit
- Get a new job
- Rent or buy a home

Know what is on your credit report.
- **Personal identifying information** - Name, Social Security number, date of birth, current and previous addresses, and employers
- **Credit account information** - date opened, credit limit, balance, monthly payment, and payment history
- **Public record information** - bankruptcy, tax and other liens, judgments, and, in some states, overdue child support
- **Inquiries** - companies that requested your credit report

Know what is NOT on your credit report.
- Checking or savings account information
- Medical history
- Race
- Gender
- Religion
- National origin
- Political preference
- Criminal record

Be aware of how long information stays on your credit report.
- Positive information - indefinitely
- Inquiries - six months to two years
- Most negative information - seven years
- Some bankruptcies - 10 years

Request your free credit report. You're entitled to one free credit report a year from each of the three credit reporting agencies. You can request your credit report at **www.AnnualCreditReport.com**. Beware of websites with similar names that may require you to subscribe to a service in order to receive your "free" credit report.

SPENDING & CREDIT • Consumer protection and information (e.g., identity theft, phishing, scams)

Did you know that identity theft is the fastest growing crime in the U.S.? Perpetrators use someone else's personally identifying information to commit fraud, including borrowing money in another person's name. Victims of identity theft often face debt and credit problems that require extensive time and effort to sort out.

Millions of Americans have fallen victim to identity theft. The average high school student who is careless with personal information and unaware of credit changes can be an easy target for a would-be identity thief. Don't become a statistic!

Keep your information safe.

- Protect your Social Security number. Don't carry your Social Security card in your wallet or write your Social Security number on a check. Give it out only if absolutely necessary. You can always ask to use another identifier.
- Don't give out personal information on the phone, through the mail, or over the Internet unless you know who you're dealing with.
- Never click on links sent in unsolicited email messages. Instead, type in a Web address you know.
- Shred pay stubs and paperwork with personal information before you discard them.
- Use firewalls, anti-spyware, and anti-virus software to protect your personal computer—and keep them up to date.
- Don't use an obvious password like your birth date, your mother's maiden name, or the last four digits of your Social Security number.
- Keep your personal information in a secure place.

SMART ABOUT SPENDING

Did you know that identity theft is the fastest growing crime in America?

SPENDING & CREDIT • Ways to avoid or correct credit problems

***Check your credit report at least once a year*:** Make sure the information is accurate, and be sure to report information that is not.

Monitor your financial information. Review your various financial accounts and statements on a regular basis. Request a free copy of your credit report at **www.AnnualCreditReport.com** every year and review it. Be alert for things that require immediate attention:

- Purchases you did not make
- Bills that don't arrive as expected
- Unexpected credit cards or account statements
- Denials of credit for no apparent reason
- Calls or letters about purchases you did not make

Know your credit score. Your credit report is free, but you usually have to pay to receive a credit score. A credit reporting agency evaluates various components of your credit history to determine your credit score, including:

- Payment history
- Outstanding credit owed
- Length of time your credit has been active
- Types of credit you have
- Any new extended credit

Improve your credit score. If you encounter some financial problems, clean up your credit. It takes some time, but it will be well worth the effort.

- Pay off your current debt
- Make your payments on time
- Don't sign up for any new credit cards
- Stop using your credit cards for new purchases
- Keep your oldest account open—even if you no longer use it

SMART ABOUT SPENDING

If you encounter some financial problems, clean up your credit.

SPENDING & CREDIT • Rights and responsibilities of buyers and sellers under consumer protection laws

If you encounter any problems with resolving credit discrepancies for in-store or online purchases, be sure to contact the seller first. If you haven't made any progress in your efforts to resolve credit discrepancies, contact the following organizations:

- Local Better Business Bureau
- State and local consumer protection offices; in Missouri, you may file a complaint with the Missouri Attorney General's Office at **ago.mo.gov/consumercomplaint.htm**.
- Federal Trade Commission (FTC)

Act quickly when you suspect identity theft. Review the Federal Trade Commission's (FTC) Guide for Assisting Identity Theft Victims at **www.ftc.gov/bcp/edu/microsites/idtheft** for detailed information to help you deter, detect and defend against identity theft.

The Missouri Attorney General's Office has set up a hotline to help you recognize and report identity theft. Complaint investigators also will help advise victims of identity theft.

To file an identity theft complaint or incident report, visit **http://ago.mo.gov/publications/idtheft.htm**.

SMART ABOUT SPENDING

Act quickly when you suspect identity theft.

Missouri Personal Finance Competencies covered in this section include:

- **Consumer choices for saving and investing**
- **Relationship between saving and investing**
- **Reasons for saving and investing (e.g., time value of money)**
- **Risk, return, liquidity, manageability, and tax aspects of investment alternatives**
- **Buying and selling investments**
- **Factors affecting the rate of return on investments (e.g., Rule of 72, simple versus compound interest, etc.)**
- **Sources of investment information**
- **Agencies that regulate financial markets to protect investors**
- **Selecting professional advisors and their services**

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SAVING & INVESTING • Consumer choices for saving and investing

Jumpstart your savings plan! Did you know that most adults encounter at least one unexpected financial downturn (such as job loss or medical expenses) in their lifetime? Although you may be lucky enough to avoid such misfortune, it's better to be safe than sorry. Take the smart approach. Start planning for your future by opening a savings account. Remember, a savings or money market account can aid in accumulating the money you need to purchase the items on your "wants" list.

SAVING & INVESTING • Relationship between saving and investing

A savings account allows you to earn interest on the money you have saved. You may also use your savings account as a place to hold your emergency fund, or a place to put your money until you have enough to purchase the smartphone you're dreaming about. Interest rates are usually lower on savings accounts than money market funds or longer-term savings instruments.

Building real wealth, however, requires additional planning. The difference in the rate of return is the main difference between saving and investing. If you learn how to be a successful investor, you may be able to live off the earnings of your investments without spending your initial funds. The most popular investing vehicles are stocks, bonds and mutual funds.

SAVING & INVESTING • Reasons for saving and investing (e.g., time value of money)

Make it happen by paying yourself first.

- Even when you're starting to run low on cash, make it part of your routine to put money toward your savings before you spend it on other things.
- When you receive your paycheck or other money, deposit or electronically transfer the funds into your savings account.
- Ask your employer to directly deposit some of your earnings into your savings account.
- Save loose change in a jar and set a goal for how much you want to gather. At the end of each month, deposit your collection into your savings account.

Watch your savings grow. The upside of routinely saving money means your money is actually making you money as interest accumulates.

Even very small sums of money add up… over time…with interest. The interest that you earn today is added to your savings total and further increases the amount of interest you earn in the future.

The key is to continuously put aside something. The savings calculator at **mappingyourfuture.org/money/savingscalculator.htm** demonstrates just how valuable regular saving can be. Use it today to create your own personalized savings plan.

SMART ABOUT SPENDING

SAVING & INVESTING • Risk, return, liquidity, manageability, and tax aspects of investment alternatives

Make wise investments. As you grow more comfortable with managing your finances, you may want to consider investing a portion of your income. Learning how to invest your earnings wisely can be difficult to comprehend. With a firm understanding of return, risk, liquidity, manageability, and tax aspects, you may be able to put your money in a position where it can work wonders in the investment world. Additionally, it's important to be fully aware of your own situation, such as your current and future financial needs, and how much risk you can tolerate.

Investment risks are associated with knowing what kind of return your investment will produce. Generally, the greater the risk, the higher the potential return. There are three types of investment philosophies:

1. **Conservative**
2. **Moderate**
3. **Aggressive**

A **conservative investor** accepts very little risk because they Don't want to lose any of the money they have invested. Conservative investors are usually rewarded with a relatively low rate of return and typically invest in Treasury bills, notes and bonds. These forms of investments are insured by the U.S. government. Conservative investors may also consider municipal bonds, blue-chip corporate bonds and stocks, balanced mutual funds, certificates of deposit and annuities.

A **moderate investor** is investing for the long term and accepts a fair amount of risk. They seek capital gains through slow and steady growth. The moderate investor spreads their investment funds among several choices and trades assets no more than once a year. They will also consider investing in dividend-paying common stocks, growth and income mutual funds, blue chip corporate bonds, government bonds and real estate.

An **aggressive investor** accepts a high level of risk because they want a very high return. They put their money in short-term investments, hoping to produce a quick return. Aggressive investors tend to invest in common stocks of new or fast-growing companies, high-yielding junk bonds, and aggressive-growth mutual funds. These investments may include limited real estate partnerships, undeveloped land, precious metals, gems, commodity futures, stock-index futures, and collectibles. To be an aggressive investor, you must be emotionally and financially able to weather substantial short-term losses.

To help determine your investment needs and which level of risk is best suited to you, ask yourself some of these questions:

- How much money do I have to invest? And how often will I be able to contribute more to my investments?
- What current bills and debts do I have that might affect my short-term and long-term financial needs?
- How liquid do I need my investments to be?
- What are my future lifestyle expectations compared to my current spending habits?
- If any of my investments might become losses, how would that impact my financial stability?

Whether or not your assets are liquid is determined by how quickly it can be turned into cash. For example, you can withdraw cash from your savings account immediately. However, when you sell your stocks or bonds, it could take up to four days to have the cash in your hand.

When managing your investments, the goal is to maximize interest earnings and minimize fees while keeping funds safe and readily available for living expenses, emergencies, and saving and investment opportunities. Successful monetary asset management allows you to earn interest on your money while maintaining reasonable liquidity and safety.

When deciding how to invest your money, one objective should be to earn the best after-tax return. This is the net amount earned on an investment after payment of income taxes. When deciding to invest in tax-free opportunities, you should compare the yields available and your marginal tax rate. All capital gains and losses must be reported on your tax return. There is no tax liability on capital gains until the investment is sold.

SAVING & INVESTING • Buying and selling investments

The process of buying and selling securities is fairly simple. It only takes a phone call to a brokerage firm or mutual fund company. Most transactions can be carried out via telephone, Internet, or mail. A brokerage firm specializes in facilitating the purchase and sale of stocks, bonds and mutual fund shares. For a trade to take place, the broker will find a buyer and seller that agree on a price.

The New York Stock Exchange (NYSE) and the American Stock Exchange (ASE) are the two most recognized exchanges. Only brokerage firms that are members of each stock exchange can trade securities on their trading floors. Seats are purchased, giving brokers the legal right to buy and sell securities on the exchange floor.

So, you call your brokerage firm and issue a buy order. Your broker contacts the person on the floor of the exchange who handles that particular stock and the order is filled, either by taking shares from their own inventory or by matching it with another investor's sell order. Likewise, if you issue an order to sell, your broker will contact the person on the floor of the exchange, and they will either buy the stock you want to sell or find another investor willing to buy it.

SMART ABOUT SPENDING

The process of buying and selling securities is fairly simple.

SAVING & INVESTING • Factors affecting the rate of return on investments (e.g., Rule of 72, simple versus compound interest, etc.)

The rate of return on your investment is the total amount you earn on your principal investment. It's expressed as a percentage of its price and usually reported on an annual basis. The formula for figuring the number of years it would take to double your principal using compound interest is called the "Rule of 72" (72 ÷ interest rate). For example, if your interest rate is 4 percent, it would take 18 years to double your principal (72 ÷ 4=18); if your interest rate is 12 percent, it would only take six years to double your principal.

Compound interest is what helps to make your investment grow. You're not only earning a return on your initial investment, but each year the interest you make on your investment will earn a return the next year. For example, if you invest $1,000 at an interest rate of 4 percent, you will earn $40 worth of interest. When that is added to your principal ($1,000 + $40 = $1,040), you will earn 4 percent on $1,040 the next year ($41.60). Interest continues to be added to your principal and your investment continues to grow.

On the other hand, using the simple-interest method, each year the interest on the principal investment only would be added. For example, a $1,000 investment at 4 percent interest would yield $200 over a five year period ($40 + $40 + $40 + $40 + $40).

SMART ABOUT SPENDING

Compound interest is what helps to make your investment grow.

SAVING & INVESTING • Sources of investment information

Visit your local public library or the nearest law or business school library to find materials containing information about investment companies. Utilize resources available from the Missouri Secretary of State's Office, which is responsible for protecting Missouri investors from fraud through the securities division. Visit **www.sos.mo.gov** to research investment advisors and more. You can also access commercial databases for more information about a company's history, management, products or services, revenues, and credit ratings. The U.S. Securities and Exchange Commission (SEC) can't recommend or endorse any particular research firm, its personnel, or its products. Remember to ask your librarian about additional resources (**www.sec.gov/answers/informatters.htm**).

For additional information, you may consult the following commercial resources:

- Bloomberg, Dun & Bradstreet
- Hoover's Profiles
- Lexis-Nexis
- Standard & Poor's Corporate Profiles

SAVING & INVESTING • Agencies that regulate financial markets to protect investors

The SEC's regulatory role, along with its oversight of the various self-regulatory organizations with respect to financial intermediaries and market professionals, focuses on helping to ensure that investors are treated fairly and that the institutions managing and processing their investments are subject to meaningful controls to protect investor assets. Statutes and rules require that brokers and advisers tell investors the truth, that brokers recommend only those products that are suitable for their customers to buy, and that advisers act in accordance with their fiduciary duties. In a way somewhat similar to this, we require that investment advisors manage any potential conflicts of interests and fully disclose them to investors.

The securities division of the Missouri Secretary of State's Office ensures that firms and individuals selling securities in Missouri comply with the Missouri Uniform "Blue Sky Law" and other state laws and regulations. Missouri investors may also file complaints online at **www.sos.mo.gov/securities/**.

Other resources providing investment information, professional registration, regulation standards and investment alternatives:

- Financial Industry Regulatory Authority (FINRA) **www.finra.org**
- North American Securities Administrators Association, Inc. (NASAA) **www.nasaa.org**
- Securities Investor Protection Corporation (SIPC) **www.sipc.org**

SMART ABOUT SPENDING

SAVING & INVESTING • Selecting professional advisors and their services

When talking to an investment professional, remember, they advise—you make the decision. You're paying them for advice and the ability to teach you enough to make smart decisions about your investments. Don't hand over this responsibility because they are a professional. Retain ownership and responsibility for all final decisions. Don't invest in anything unless you can easily explain how the investment works. If you can't communicate easily with your financial advisor, find one that does a better job of communicating. Take your time and make wise decisions (**www.DaveRamsey.com**).

Here are some of the questions you should always ask when hiring any financial professional:

- What experience do you have, especially with people in my circumstance?
- Where did you go to school? What is your recent employment history?
- What licenses do you hold? Are you registered with the Securities and Exchange Commission (SEC), a state, or the Financial Industry Regulatory Authority (FINRA)?
- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services? What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?
- For registered investment advisers, will you send me a copy of both parts of your Form ADV? (Form ADV is the uniform form used by investment advisers to register with both the SEC and state securities authorities.)

SMART ABOUT SPENDING

Be sure to meet potential advisers "face to face" to make sure you get along. And remember, there are many types of individuals who can help you develop a personal financial plan and manage your hard-earned money. The most important thing is that you know your financial goals, have a plan in place, and check out the professional you chose with your securities regulator (**www.sec.gov/investor/pubs/invadvisers.htm**).

When talking to an investment professional, remember, they advise—you make the decision.